



Berkshire Hills Bancorp, Inc.

2000 ANNUAL REPORT

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Overview

Berkshire Hills Bancorp, Inc., publicly traded on the American Stock Exchange (AMEX) under the symbol “BHL,” is the holding company for Berkshire Bank, a Massachusetts financial institution founded in 1846. Through its subsidiaries, Gold Leaf Insurance Agency and Gold Leaf Investment Services, Berkshire Bank offers access to a full range of insurance and investment products in addition to operating eleven banking offices in Western Massachusetts.

BERKSHIRE HILLS BANCORP, INC.

Profile

Berkshire Hills Bancorp, Inc. (AMEX: "BHL"), headquartered in Pittsfield, Massachusetts, is the holding company for Berkshire Bank. Berkshire Hills Bancorp, Inc. was established in June, 2000 with the conversion of Berkshire Bank's mutual holding company, Berkshire Bancorp, from mutual to stock form. In the conversion, Berkshire Hills Bancorp, Inc. sold 7,105,334 shares of common stock at a price of \$10.00 per share providing gross proceeds of \$71.1 million.

In addition, the Berkshire Hills Foundation received a contribution from the Company of 568,427 shares of common stock. The Berkshire Hills Foundation was established to further sustain the efforts of the existing Greater Berkshire Foundation as an investment designed to support the communities served by the Company. There is no better example of the depth of that commitment to the communities we serve than our creation and generous funding of these two foundations. Through fiscal year 2000, over \$500,000 has been awarded to scores of organizations and projects serving education, the arts, housing, healthcare, and related causes.

Executive Officers

Clockwise from upper left:

Michael P. Daly

Executive Vice President

James A. Cunningham, Jr.

President & Chief Executive Officer

Charles F. Plungis, Jr.

*Senior Vice President, Treasurer &
Chief Financial Officer*

Robert A. Wells

Chairman

Susan M. Santora

Executive Vice President



Board of Directors

Thomas O. Andrews
James A. Cunningham, Jr.
Thomas R. Dawson
Henry D. Granger

A. Allen Gray
John Kittredge
Peter J. Lafayette
Edward G. McCormick

Catherine B. Miller
Michael G. Miller
Raymond B. Murray, III
Louis J. Oggiani

Robert S. Raser
Corydon L. Thurston
Ann H. Trabulsi

Robert A. Wells, *Chairman*
William E. Williams
Anne Everest Wojtkowski

Berkshire Hills Bancorp, Inc.

REPORT TO STOCKHOLDERS

To our Shareholders

It is with great pride that I present to you our 2000 Annual Report for Berkshire Hills Bancorp, Inc., our very first annual report. June 27, 2000 marked the establishment of Berkshire Hills Bancorp, Inc., and the transformation of Berkshire Bank from a mutually-owned savings bank to the largest publicly-owned banking institution based in Western Massachusetts.

Our decision to convert was the natural culmination of the success borne of the May 1997 merger of our predecessor organizations; the Berkshire County Savings Bank and the Great Barrington Savings Bank, to form what is now Berkshire Bank. This organizational structure better positions us to grow over the long term. In addition, it provides a larger capital base from which to operate, which in turn provides the means for us to expand and diversify our financial products in an effort to meet the changing needs of our customer base.

Our focus will be to enhance shareholder value by relying on the same principle that has created success for our predecessor organizations for more than 150 years. That principle is simply the need to deliver exceptional customer service to the markets we serve. Although we are the largest financial institution serving our market place, we know size alone will not guarantee success. Anyone who doubts that concept need only review our list of local competition today versus just a few years ago. They would find the large money center banks that were competitors a few years ago conspicuously absent from today's list.

We do believe the leadership positions we've earned in areas such as Commercial Banking, Consumer Banking, Asset Management/Trust Services, and Deposit Services bodes well for our future and that of our shareholders.

Financial Performance

The successful conversion to a public company provided additional capital of \$68.4 million increasing total capital at year end to \$161.3 million. This additional capital was immediately put to work to help fund loan growth totaling \$117.9 million. Although the majority of the loan growth occurred in the commercial and consumer loan area, our overall asset quality improved as the level of non-performing assets as a percentage of total assets decreased from 36 basis points to 29 basis points at year end. From an interest rate risk standpoint, we attempt to effectively manage our assets and liabilities so that a significant change in interest rates, either up or down, will not dramatically impact earnings.



For the fiscal year just ended, we reported net income of \$4.6 million (which includes a \$5.7 million charge for a contribution to our charitable foundation) compared to \$5.6 million for the prior year. The Company earned \$0.70 per common share for the six months beginning with the public offering. The offering was in large part responsible for the growth of total assets from \$841.7 million on December 31, 1999 to \$1.0 billion on December 31, 2000.

Commercial Focus

Although Berkshire Bank is a thrift by charter, our balance sheet, quite by design, does not resemble that of a typical thrift. While many thrifts are inching their way into the commercial services market, we've obtained a leadership position in the commercial arena. Our focus on the business community began many years ago as both predecessor organizations formed commercial departments. Today, particularly with the absence of any large money center bank, we lend vital support to the business sector. To be sure, a significant portion of the loan growth that occurred last year was in the commercial loan and commercial real estate categories. With our expertise and significant asset base, we now have the capacity and the ability to provide a broad spectrum of commercial loans and services to our business community.

Berkshire's partnership with local businesses is certainly consistent with the leadership role we've played over the years for the entire community. With the establishment this year of Berkshire Hills Foundation, together with the previously established Greater Berkshire Foundation, there exists a pool of assets with a combined value of more than \$10 million that will be used to support non-profit organizations within our local market. It is our hope and intention that, over a long period of time, grants made from these foundations will serve a wide range of not-for-profit organizations and improve the quality of life in our communities.

The Future

As we look to the coming year and beyond, we're truly excited about the opportunities that lie ahead. We are also cognizant of the many challenges that presently exist in areas such as asset quality, expense control, capital management, to name just a few. We believe Berkshire Hills Bancorp, Inc., is uniquely positioned to successfully leverage its dominant market position.

In closing, I would like to extend my appreciation and thank our Board of Directors for their guidance, our customers for their continued confidence, and particularly, our employees who, not only during this past year, but over the past several years, have readily accepted change as a vehicle for success and have made exceptional contributions to our overall progress. Finally, I welcome and thank our newest constituency – our shareholders – for their investment in our future.



James A. Cunningham, Jr.
President & Chief Executive Officer

BERKSHIRE BANK

Profile

Founded in 1846, Berkshire Bank is one of Massachusetts' oldest and largest independent banks and the largest banking institution based in Western Massachusetts. Berkshire Bank is headquartered in Pittsfield, Massachusetts, and maintains 11 full-service banking offices serving communities throughout Berkshire County. Berkshire Bank is committed to operate as an independent bank, delivering exceptional customer service and a broad array of competitively priced business and consumer banking products and services. Through its subsidiaries, Berkshire Bank also offers a full range of asset management/trust, insurance and investment products.

Our Mission

Berkshire Bank is an independent, full-service community bank committed to being the “financial institution of choice” for people and businesses in Berkshire County and neighboring communities. We will achieve this position of competitive leadership by consistently meeting and exceeding the expectations of our customers in the delivery of quality financial services and products. We value and respect our customers and employees and will strive to maintain an environment within which customers will want to bank and employees will want to work.

With the conversion of the Bank from its mutual ownership structure in June 2000, Berkshire Bank is better positioned than ever to serve as a one-stop financial resource for its customers. The Bank has a network of 11 full-service branch offices and 12 ATMs in Berkshire County, Massachusetts, which it considers its primary market area for making loans and attracting deposits. Berkshire Bank also makes loans outside its market area, primarily in eastern New York, northern Connecticut, southern Vermont and western Massachusetts. Berkshire Bank has also invested heavily in the communities it serves, helping to improve the quality of life.



*A participant in Berkshire Bank's
School Savings Program*

SELECTED FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share data)

At December 31

Selected Operating Data:	2000	1999	1998
<i>Net Interest Income</i>	37,550	31,546	28,313
<i>Provision for Loan Loss</i>	3,170	3,030	2,055
<i>Non-Interest Income</i>	4,746	4,298	3,293
<i>Other Non-Interest Expense</i>	32,184	25,196	22,359
<i>Net Income</i>	4,582	5,623	4,424
Selected Financial Data:			
<i>Total Assets</i>	1,011,340	841,651	780,289
<i>Loans Receivable, Net</i>	783,405	665,554	599,171
<i>Deposits</i>	729,594	680,767	647,122
<i>Federal Home Loan Advances</i>	101,386	58,928	29,590
<i>Stockholders' Equity</i>	161,322	88,352	84,201
Performance Ratios for the Year Ended:			
<i>Return on Average Assets</i>	.49%	.69%	.63%
<i>Return on Average Stockholders' Equity</i>	3.72%	6.51%	5.56%
<i>Net Interest Spread</i>	3.40%	3.50%	3.47%
<i>Net Interest Margin</i>	4.25%	4.13%	4.22%
<i>Efficiency Ratio</i>	76.86%	71.27%	71.71%
Asset Quality Ratios:			
<i>Non-Performing Loans to Total Loans</i>	.36%	.42%	.58%
<i>Non-Performing Assets to Total Assets</i>	.29%	.36%	.50%
<i>Allowance for Loan Losses to Non-Performing Loans</i>	356.08%	300.39%	217.45%
<i>Allowance for Loan Losses to Total Loans</i>	1.29%	1.27%	1.25%
Per Share Data:			
<i>Earnings Per Share*</i>	\$ 0.70	N/A	N/A
<i>Book Value</i>	\$21.02	N/A	N/A
<i>Market Price at Period End</i>	\$15.75	N/A	N/A

*Basic and diluted earnings for 2000 were \$0.70 per common share from July 1 to December 31, 2000.

Our Strengths

In becoming a subsidiary of a public company in June 2000, Berkshire Bank enhanced its ability to deliver a broad range of services designed to meet the needs of our customers, the community and the shareholders of Berkshire Hills Bancorp. Indeed, we are better positioned than ever to serve as a one-stop financial resource for customers looking for a strong, community-based partner. We are committed to providing our customers with the level of service they would expect from a financial partner for life.

Response Minded Community Banking

Berkshire Bank has made important strategic decisions about not only the products we offer our customers, but also how we deliver them. All decisions are made locally and are based upon meeting customer needs that improve delivery, streamlining operations, and enhancing profitability.

Personal Service and Professional Staff

No matter what department or branch office Berkshire Bank's customers interact with, one thing is clear. It is our people that make Berkshire Bank a financial partner for life for our customers. Our top-notch banking professionals are committed to helping individuals and businesses find the right products to meet their needs. As a community bank, we are measured by the manner in which we treat our customers and employees, and our success is truly a function of our commitment to our people.

A Wide Range of Solutions

We place our focus on the customer with an array of consumer and business services designed to save time and money. At Berkshire Bank, we work hard to deliver services in an efficient and friendly manner. As we look to the future with value-added products like Internet banking and investment services, we will continue to provide the type of products you would expect from a financial partner for life.



Convenience and Accessibility

As a result of growth, Berkshire Bank reconfigured its downtown Pittsfield offices to allow for expansion. The Bank's headquarters now house a comprehensive consumer and mortgage loan center and an operations center. The Bank also renovated the Old Central Fire Station in Pittsfield, which returned a venerable and long vacant building to a viable role in the downtown community, while maintaining its architecture and historical integrity. The Massachusetts Historical Commission presented Berkshire Bank the 2000 Preservation Award for demonstrating an outstanding commitment to preservation. The Old Central Fire Station includes expanded space for the Commercial Banking, Asset Management/Trust Group, Corporate Services, and Government Banking Department.

Berkshire Bank's 11 full-service branch offices not only provide greater convenience to our existing customer base, they provide the tools to grow our market share. Our 12 ATMs and 24-hour Gold Line Telephone Banking provide consumers with account information and retail and commercial Master Money™ debit cards offer a convenient, alternative check-free payment method.

A commercial Internet banking product, BerkshireBank@Work, was introduced to improve business cash flow processing and funds management while providing ACH access. BerkshireBank@Work, the next step in business banking, allows our customers to get in touch with their finances any time, from anywhere. During the first quarter of 2001, our retail Internet banking solution, BerkshireBank@Home will be introduced. This online service will allow our customers the ability to access accounts, pay bills, transfer funds, and even integrate account information with Quicken® and Microsoft® Money – all with the convenience of saving a trip to the Bank. In addition, the personal financial management reporting will allow the customer to analyze activity and spending patterns.

At the same time, as we continue to use technology as an enhancement to current product offerings, we remain committed to retaining the personal, high-quality service that customers demand and deserve. Technology has helped us do what we do, only better. The increased efficiency creates more satisfied customers, reduces our costs and improves earnings.

Technology has changed how we operate, but has not changed who we are:
Your Financial Partner For Life.



COMMERCIAL BANKING AND LENDING



Berkshire Bank goes well beyond the typical thrift institution in its determination to remain the number one commercial lender in its market area. Our strengths include a dedicated lending staff with excellent skills, knowledge and a total package of deposit and loan products for every banking need. We're large enough to offer the resources of a full service, large commercial bank and small enough to offer the personal, responsible service of a local, independent bank. In 2000, Berkshire Bank's commercial and mortgage loan volume to area businesses totaled \$99 million in new loans. These loans funded local projects such as Turboprop East, Inc., Pittsfield Plastics Engineering, Inc., Sheffield Plastics, and many others.

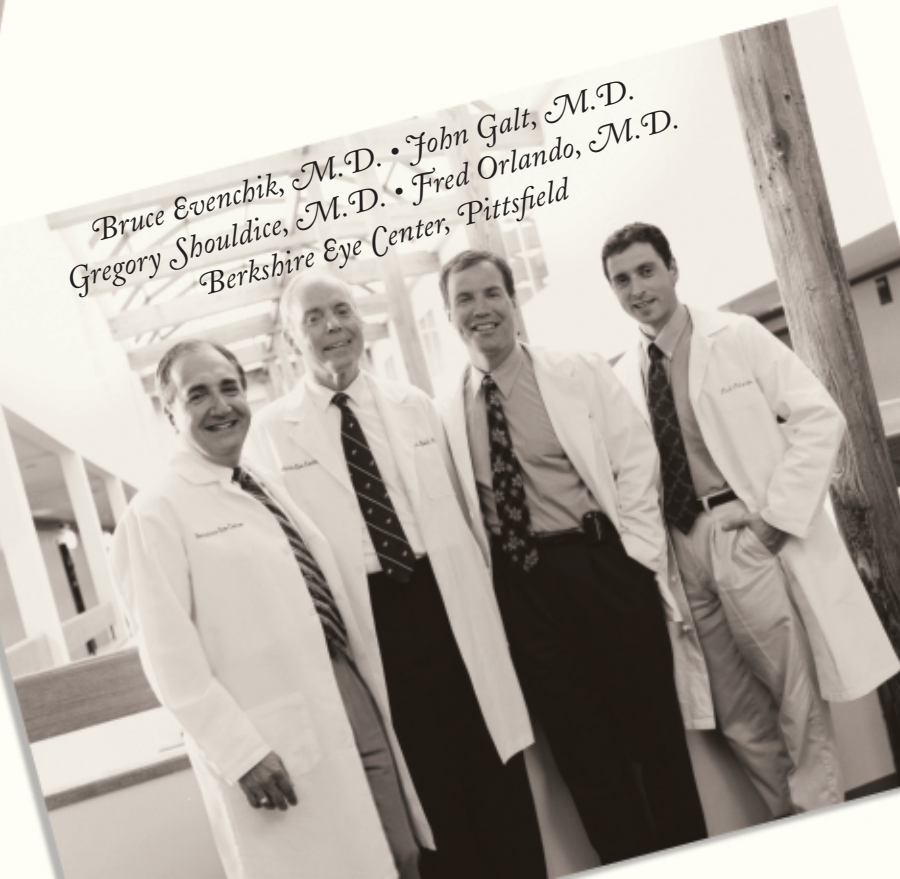
Our products and services cater to the needs of businesses both large and small. Through the Small Business Express Credit Program, customers receive a faster and easier way to apply for services such as lines of credit, term and real estate loans. The Business Manager Program allows customers to leverage their accounts receivables to enhance cash flows. Further reaching out to commercial customers, BerkshireBank@Work, our Internet banking and financial management product, was introduced in 2000. BerkshireBank@Work provides access to finances and ACH processing, eliminating check processing.

Berkshire Bank was the number one Small Business Administration (SBA) lender in Berkshire County in dollars loaned during 2000. Total commercial loans and unadvanced credit outstanding were \$215.5 million and small business loans outstanding totaled 435 loans for \$11.2 million at year-end.



*David Smith
Owner, Sears, Great Barrington*

*Bruce Evenchik, M.D. • John Galt, M.D.
Gregory Shouldice, M.D. • Fred Orlando, M.D.
Berkshire Eye Center, Pittsfield*

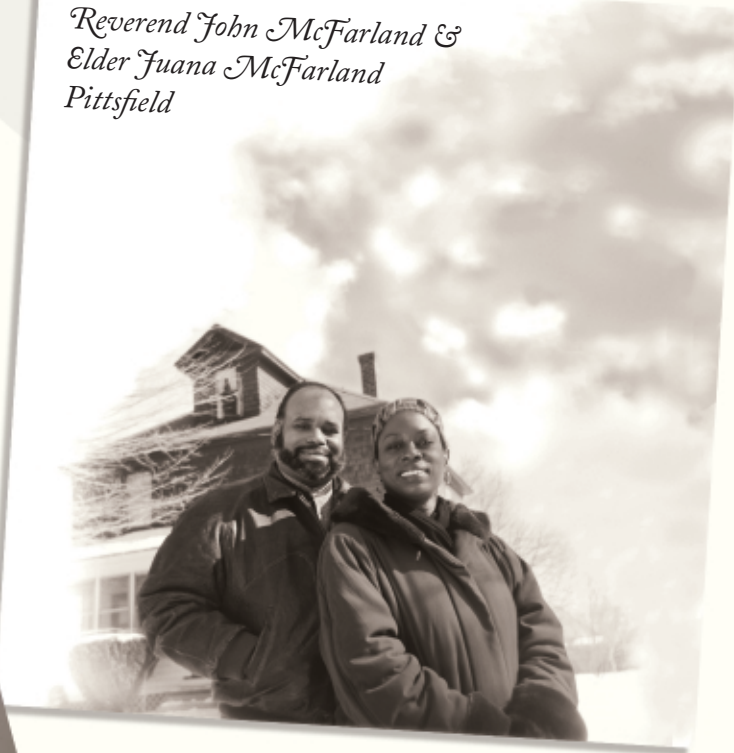


MORTGAGE AND CONSUMER LENDING

Berkshire Bank is the leader for mortgage and consumer lending in the markets it serves. We are known for providing innovative products and services while keeping our processing costs low, helping us to grow just like the communities we serve. Once again, we were the number one mortgage lender in dollars loaned on real estate in our primary market area for 2000, according to Banker and Tradesman. This, coupled with another outstanding year in consumer lending, allowed us to increase our retail lending by 15.7 percent.



*Reverend John McFarland &
Elder Juana McFarland
Pittsfield*



Based on a strong lending volume and commitment to the communities we serve, Berkshire Bank was issued an “outstanding” rating by both the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts, Division of Banks, for its Community Reinvestment Act (CRA) efforts. This rating was based on the Bank’s performance in the areas of small business lending, flexible loan programs designed to reach low and moderate-income borrowers, and its willingness to lend technical expertise to address economic and affordable housing development.

ASSET MANAGEMENT/TRUST SERVICES



Focused on high net worth individuals and corporations, Berkshire Bank's Asset Management/Trust Group has \$268 million in assets under management. A market leader in Berkshire County, it is recognized for creating individual investment strategies for individual financial objectives. The Asset Management/Trust Group delivers sophisticated, integrated expertise in investment management, full fiduciary services, IRA and IRA rollovers, estate planning and Private Banking services.

Asset Management/Trust and Private Banking fee revenues reached \$1.7 million in 2000. Top tier investment performance, strong new business development, and the favorable growth trends continue to drive results.

Continued development of Asset Management/Trust relationships in addition to our insurance offerings and the introduction of an investment service subsidiary will enhance earnings by growing fee-based business.



*Jon Krant, M.D.,
Katie Wolfgang, D.V.M., and Hoover
Williamstown*

Parker & Anne Oppermann of Great Barrington



INVESTMENTS

We look forward to announcing the opening of Gold Leaf Investment Services, Inc. as part of our move to expand the scope of our financial offerings. Gold Leaf Investment Services, a Berkshire Bank subsidiary, will provide access to a full range of security brokerage services, including financial planning, professional money management, investment in stocks, bonds, mutual funds and more.

Instituting insurance and investment solutions are part of our commitment to becoming a one-stop financial resource and providing products and services our customers expect from their financial partner for life.



FULL LINE OF INSURANCE PRODUCTS

Berkshire Bank has taken advantage of regulatory changes that allowed the Bank to expand into insurance opportunities through the establishment of its subsidiary, Gold Leaf Insurance Agency, Inc. Gold Leaf Insurance Agency, Inc. offers a full line of insurance solutions while giving our customers opportunities to save time and money. Gold Leaf Insurance Agency provides insurance solutions for auto, home, business, life, and long-term care coverage designed to meet consumer's needs. These insurance products are available at any office in the Bank's branch network.



GOLD LEAF INSURANCE SOLUTIONS



auto



home



life



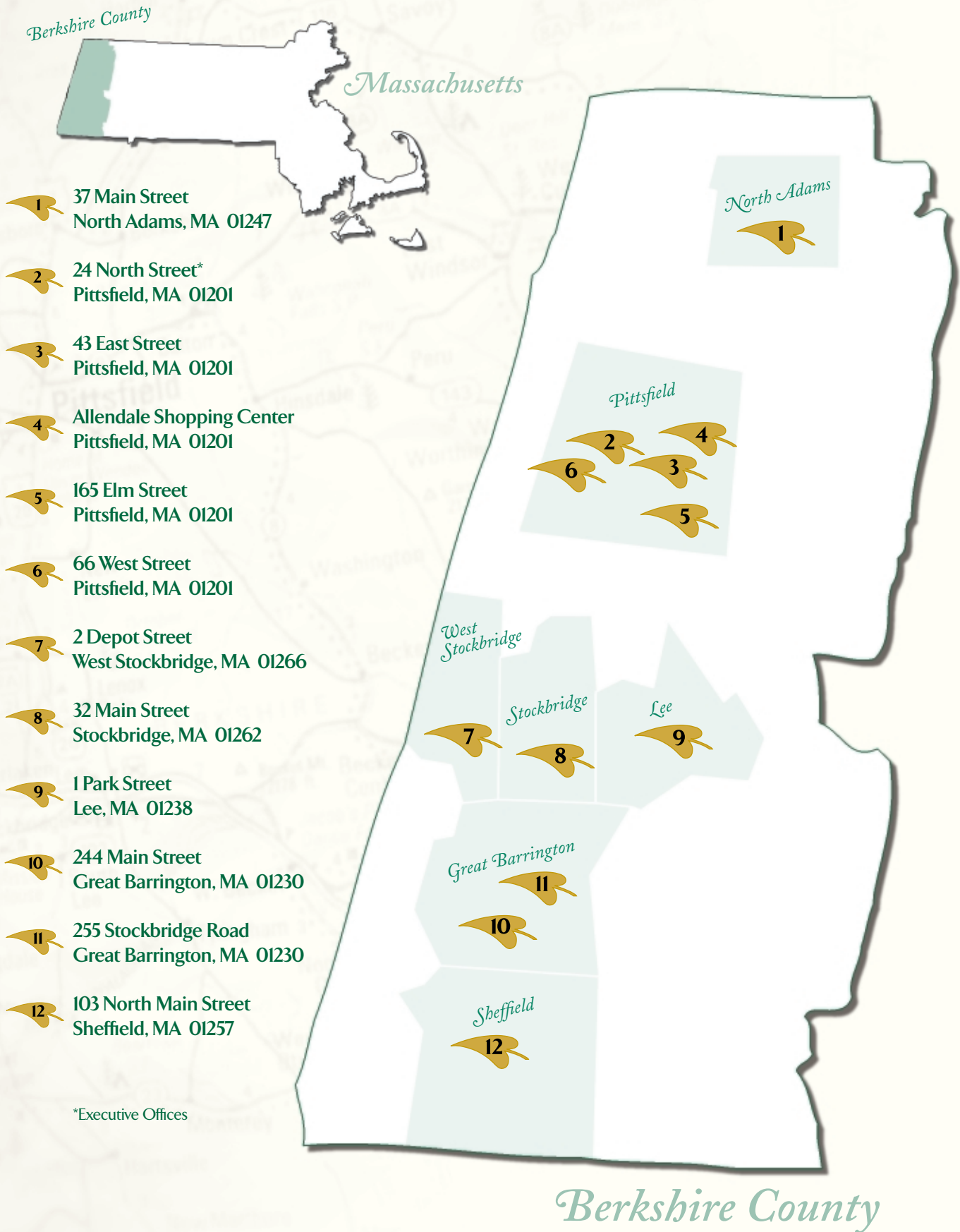
long term care



business

BERKSHIRE BANK

Map of Banking Locations



SHAREHOLDER INFORMATION

Corporate Offices

Berkshire Hills Bancorp, Inc.
24 North Street
Pittsfield, MA 01201

Counsel

Muldoon Murphy & Faucette LLP
5101 Wisconsin Avenue, NW
Washington, D.C. 20016

Stock Listing

Berkshire Hills Bancorp, Inc. is traded on the American Stock Exchange under the symbol "BHL."

Annual Meeting

The annual meeting of shareholders will be held on May 3, 2001, at 10:00 am Eastern time, at the Crowne Plaza, One West Street, Pittsfield, Massachusetts.

Auditors

Wolf & Company, P.C.
1441 Main Street
Springfield, MA 01103

Transfer Agent and Registrar

Shareholders who wish to change the name, address or ownership of stock, report lost stock certificates or consolidate stock accounts should contact:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
800-866-1340

Investor Information

Copies of the annual report, SEC filings, press releases and other investor information is available by contacting:

Investor Relations
Berkshire Hills Bancorp, Inc.
24 North Street
Pittsfield, MA 01201
Email: rborotto@berkshirebank.com

Forward-Looking Statements

This report contains forward-looking statements, which may describe future plans and strategies, including our expectations of future financial results. Management's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors that could affect our actual results include market interest rate trends, the general regional and national economic climate, our ability to control costs and expenses, actions by our competitors and their pricing, loan delinquency rates, and changes in federal and state regulations. As we have no control over these factors, they should be considered in evaluating any forward-looking statements and undue reliance should not be placed on such statements.

Dedication

*In appreciation for their contributions to Berkshire Bank,
we acknowledge the passing of these employees and dedicate this annual report to them.*

JOHN R. CARMICHAEL, III

LISA M. KIERNAN



24 North Street, Pittsfield, MA 01201

www.berkshirebank.com